

**STATEMENT OF
CHAIRMAN JULIUS GENACHOWSKI**

Re: *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, *Lifeline and Link-Up*, WC Docket No. 03-109, *Lifeline and Link-Up Reform and Modernization*, WC Docket No. 11-18

Today we propose to reform and modernize the Lifeline/Link-Up program – to make it more efficient and effective, and to determine how best to meet our national goal of broadband adoption by all Americans.

Since Lifeline was created in 1985 and Congress codified it in the Telecommunications Act of 1996, the program has drawn broad bipartisan support and helped millions of low-income households afford phone service.

But the world has changed considerably since then, and the Lifeline/Link-Up program has not kept pace. Major technological, market, and regulatory changes – including the Commission’s decision in 2005 to allow prepaid wireless resellers to offer Lifeline service – have created new challenges and pressures on the program, as well as new opportunities for consumers.

Yet the Commission has not comprehensively reexamined the program, or implemented clear performance goals or sufficiently robust protections against waste, fraud, and abuse. Every Lifeline/Link-Up dollar that today gets spent on duplicate service, ineligible participants, or other waste or inefficiencies is a dollar that could go to helping more low-income Americans connect.

And Lifeline/Link-Up has grown more rapidly over the past few years, increasing the contribution burden on consumers and businesses throughout the country, which can undermine our universal service goals. Increases in the contribution burden are particularly concerning for the tens of millions of Americans at or near the poverty line who pay for phone service but don’t participate in Lifeline.

That’s why we asked the Federal-State Joint Board on Universal Service to examine the Lifeline/Link-Up program and evaluate a host of issues related to the program’s performance and administration. Late last year, the Joint Board reported back with a series of important and thoughtful recommendations for reform and modernization.

The NPRM we adopt today puts forward these recommendations, as well as proposals from the Government Accountability Office, from the National Broadband Plan, and from a number of private-sector stakeholders.

The NPRM proposes three main types of reforms:

First, we propose immediate reforms to eliminate waste, fraud, abuse, and other misspending in the program – including proposals to eliminate duplicate support to a single household and preventing carriers from obtaining support for consumers that haven’t used their service in months. We also propose to establish a National Accountability Database, administered by an independent third party, to ensure that multiple carriers are not getting Lifeline/Link-Up support to serve the same household, and that only eligible households are participating in the program.

Second, we propose to make the program more accountable – that means accountability for consumers who benefit from the program, carriers that receive support, and government. To do this, we propose reforms like establishing concrete performance goals for the program, and stepping up oversight.

Third, we seek comment on measures – including capping the size of the program – to prevent over-burdening the consumers and businesses that contribute to the Universal Service Fund.

These reforms will provide Lifeline/Link-Up clear goals and robust safeguards, and put the program on a sound footing.

And in the interim, while we're seeking comment on these reforms, we will work to ensure that consumers are not misusing the program and that the companies that receive Lifeline/Link-Up support are living up to their responsibilities to combat waste, fraud, and abuse, including taking adequate precautions to prevent duplicate support.

As we reform Lifeline/Link-Up to be a leaner, more efficient, and more effective program, we're also making sure the program meets consumer needs in the broadband age. Broadband is at least as crucial to full participation in our economy and society in the 21st century as telephone service was in the 20th. We know that increasing broadband adoption is essential for generating economic growth and improving our global competitiveness; a 2009 McKinsey study suggests that a 10% increase in broadband penetration could increase annual GDP by more than \$200 billion in a country with an economy the size of ours in the United States.

Broadband is also crucial for advancing national priorities like education – think of online courses and digital textbooks, and health care – think of two-way video consultations with medical specialists. It's crucial for finding a job, as job postings have moved online, and for landing a job, as companies increasingly require basic digital skills.

Despite the importance of broadband for everyone, more than half of low-income Americans – about 60% – don't have broadband in their homes. Fewer than half of African Americans, Latinos, and Americans without a high school diploma have broadband. And as we heard this morning, fewer than 10% of Native Americans households are online. Especially at a time when countries like South Korea boast broadband adoption rates higher than 90 percent, that's simply not good enough.

Accelerating broadband adoption is one of our great national challenges. But it's not an easy problem to solve. The National Broadband Plan identified a number of major barriers. Many non-adopters lack the digital literacy needed to adopt and use broadband – they don't know how to use a computer or how to navigate a webpage. Many non-adopters don't think broadband is relevant to them or can improve their lives. And affordability is a core obstacle, particularly for low-income Americans. The FCC has been working on a number of initiatives to overcome these barriers and increase broadband adoption and use.

Today, we propose an important step toward this goal: Pilot programs, funded with savings from reforms, to determine how Lifeline/Link-Up can best be used to increase broadband adoption and use among low-income consumers. We'll be looking broadly for the best ideas for accountable, efficient, metrics-based initiatives that will move the needle on broadband adoption.

As we move forward, we should be realistic. Lifeline/Link-Up won't solve the adoption challenge by itself. We need to harness e-government, and think creatively about how different parts of the public sector – federal, state, and local – can be part of the solution.

Government cannot, and should not, meet this challenge alone. Success is going to require sustained attention and effort from broadband providers, technology companies, nonprofit groups, educators, and parents, as well as policymakers.

I'd like to acknowledge and praise existing private efforts and challenge companies to do more in this area. This is as much a win-win as anything I've seen. Every new broadband subscriber helps that subscriber, the company offering service, and our economy and global competitiveness. I look forward to working with a broad range of stakeholders to meet our broadband adoption challenge.

I'd like to thank my fellow Commissioners, who worked together to improve and shape the Notice. I also want to thank the staff, particularly the staff of the Wireline Competition Bureau, for their outstanding work preparing this item.